

**CITY COUNCIL OF THE CITY OF SAN DIEGO
SUPPLEMENTAL DOCKET NUMBER 2
FOR THE REGULAR MEETING OF
TUESDAY, OCTOBER 25, 2016
CITY ADMINISTRATION BUILDING
COUNCIL CHAMBERS – 12TH FLOOR
202 “C” STREET
SAN DIEGO, CA 92101**

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Pursuant to California Senate Bill 343 (Section 54957.5(b) of the Brown Act), late-arriving documents related to City Council meeting agenda items which are distributed to the legislative body prior to and during the Council meeting are available for public review in the Office of the City Clerk on the second floor of the City Administration Building, 202 C Street, San Diego, CA 92101. This relates to those documents received after the agenda is publicly noticed and during the 72 hours prior to the start of the meeting. Please note: Approximately one hour prior to the start of the Council Meeting, the documents will be available just outside Council Chambers in the lobby of the 12th floor of the City Administration Building in a binder labeled “SB 343.” Late-arriving materials received during the City Council meeting are available for review by making a verbal request of City Clerk staff located in Council Chambers.

ADOPTION AGENDA, CONSENT ITEMS
RESOLUTIONS:

This item will be taken in the morning session which is scheduled to begin at 10:00 a.m.

- * ITEM-S500: Economic Development Administration grant funding opportunity for the Promise Zone strategic planning process and the Comprehensive Economic Development Strategy (CEDS) for the San Diego region.

ITEM DESCRIPTION:

This action is to apply for, accept, appropriate and expend up to \$100,000 in Grant Funding from the Economic Development Administration. The Grant will support the planning and implementation of the San Diego Promise Zone (SDPZ) and the development of a more formalized comprehensive ten-year strategy. This Grant request includes funding to update the Comprehensive Economic Development Strategy (CEDS) which is a larger regional effort and the SDPZ is part of the effort area.

STAFF'S RECOMMENDATION:

Adopt the following resolution:

(R-2017-200)

Ratifying the City's application, as Lead Organization, to the Economic Development Administration (EDA) for the EDA Planning Grant;

Authorizing the Mayor, or designee, to take all actions necessary to secure the funding awarded, including executing all agreements necessary to comply with the EDA Planning Grant requirements;

Authorizing the Mayor, or designee, to conduct all negotiations and enter into agreements necessary to carry out the EDA Planning Grant program objectives;

Authorizing the Chief Financial Officer to accept, appropriate, and expend the EDA Planning Grant funds, in an amount not to exceed \$100,000, in connection with the City's administration and responsibilities under the EDA Planning Grant as the Lead Organization.

STAFF SUPPORTING INFORMATION:

FISCAL CONSIDERATIONS:

This Grant is reimbursable, up to \$100,000. The South County Economic Development Council (SCEDC) will receive \$25,000 as a subcontract to complete the Comprehensive Economic Development Strategy (CEDs). Non-federal matching funds were provided by the City (\$64,768) and SCEDC (\$13,500) for in-kind staffing.

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

Ratification of the Promise Zone Designation Agreement and approval of an ordinance to accept the 10 year designation was presented to Council on July 12. A Promise Zone informational report was given to the Economic Development and Intergovernmental Relations Committee on July 14.

Caldwell/Graham

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City Attorney Contact: Skogen, Daphne Z.

**ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS
ORDINANCES TO BE INTRODUCED:**

This item may be taken in the morning session if time permits.

ITEM-S501: Third Amendment to Office Lease at 525 B Street, San Diego, CA 92101.
(Downtown Community Area. District 3.)

ITEM DESCRIPTION:

Authorization to enter into a Third Amendment to an existing Office Lease at 525 B Street, San Diego, California 92101, granting the City to expand into a portion of the 7th floor and 9th floor ending June 30, 2022.

STAFF'S RECOMMENDATION:

Introduce the following ordinance:

(O-2017-61)

Introduction of an Ordinance authorizing and directing the Mayor, or his designee, to execute, deliver and take all actions necessary to facilitate the administration of that certain Third Amendment to Lease which is now between the City and I & G 525 B Street Inc., a Delaware corporation, allowing the City to expand its leased spaces at 525 B Street, San Diego, California, to include a portion of the 7th and 9th floors, and extend the Term for the previously-leased space by two additional years, causing the Term for all the previously leased space at 525 B Street to expire conterminously with the termination date of the Expansion Space, which, as set forth in the Third Amendment, shall be on June 30, 2022;

Authorizing the Chief Financial Officer to expend the funds necessary for the rent of the Expansion Space on the 7th and 9th floors of the Property as set forth in the Third Amendment, in an amount not to exceed \$2,731,622, for Fiscal Years 2017-2022; said sum shall be funded solely from Public Works Department Fund 720057, contingent upon the Chief Financial Officer furnishing a certificate certifying that the funds necessary for the expenditure are, or will be, on deposit with the City Treasurer;

Authorizing the Chief Financial Officer to expend an additional sum in an amount not to exceed \$4,731,126 for Fiscal Years 2021-2022, which sum shall cover the rent for the Lease Extension; said sum shall be funded 100% from Public Works Department Fund 720057, contingent upon the Chief Financial Officer furnishing a certificate certifying that the funds necessary for the expenditure are, or will be, on deposit with the City Treasurer;

Authorizing the Chief Financial Officer to expend an additional sum in an amount not to exceed \$2,486,526 for Fiscal Years 2021-2022, which sum shall cover the rent for the Lease Extension; said sum shall be funded 100% from the following Public Utilities sources and funding allocations: Muni Sewer Revenue Fund 700000, 24.29%; Metro Sewer Utility Fund 700001, 13.89%; Water Utilities Operating Fund 700011, 61.82%; contingent upon the Chief Financial Officer furnishing a certificate certifying that the funds necessary for the expenditure are, or will be, on deposit with the City Treasurer.

NOTE: 6 votes required pursuant to Section 99 of the City Charter.

STAFF SUPPORTING INFORMATION:

FISCAL CONSIDERATIONS:

(1) Public Works Department expansion into a portion of the 7th and 9th floors of 525 B Street -
Fiscal Year 2017 - \$0
Fiscal Year 2018 - \$402,737
Fiscal Year 2019 - \$552,700
Fiscal Year 2020 - \$571,858
Fiscal Year 2021 - \$591,707
Fiscal Year 2020 - \$612,620

Total Base Rent Consideration = \$2,731,622

(2) This amendment extends the Original Lease as amended by an additional 2 years from July 1, 2020, through June 30, 2022, for both Public Works and Public Utilities. The rental rate during the extend term averages approximately \$2.70 per square foot per month and varies by floors respectively. City will receive a rent credit of \$218,190 and applied in FY17. City also negotiated a refurbishment tenant improvement allowance of \$10/square feet or \$1,104,620 and if not utilized within the first 12 months will be applied as additional rent credit, FY18. City Base Year for calculating increases in building operating expenses shall be modified to the base year 2017, effective July 1, 2020.

Total Base Rent Consideration FY21 and FY22 - \$7,217,652

Cost Summary Public Utilities Original Lease:

FY 21 -\$1,222,050 and FY 22 - \$1,264,476

Estimated Costs do not include for increases in building Operating Expenses above the 2017 Base Year. Effective FY 21 Public Utilities portion in calculating increases in the Operating Expenses shall be 30.64%.

During FY 21 and FY 22 100% of Funding Sources and Allocations: Metro Sewer Utility Fund 700001, 13.89%, Water Utility Operating Fund, 700011, 61.82%, Muni Sewer Revenue Fund, 700000, 24.29%,

Public Works in the Original lease and Second Amendment Expansion for the 5th, 6th, portion of 7th and 12th floors plus shared storage for 71,177 square feet.

Cost Summary Public Works Original Lease:

FY 21 \$2,324,988 and FY 22 \$2,406,138.

Estimated costs do not include increases in building Operating Expenses above the 2017 Base Year. Effective FY 21 Public Works portion in calculating increases in Operating Expense shall be 69.39%.

During FY 21 and FY 22 100% of Funding Sources and Allocations shall be 100% to Public Works Department Fund 720057.

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

San Diego Ordinance O-20273 July 9, 2013, authorizing the original six-year lease

San Diego Ordinance O-20324 December 9, 2013, authorizing early termination of lease

San Diego Ordinance O-20492 June 5, 2015, authorizing the Second Amendment to the lease

Thompson/Villa

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